



STATE OF UTAH
NATURAL RESOURCES
Oil, Gas & Mining

Norman H. Bangerter, Governor
Dee C. Hansen, Executive Director
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August 9, 1985

Mr. Orval L. Hadley
Deputy State Director, Operations
U. S. Department of the Interior
Bureau of Land Management
Utah State Office
324 South State Street, Suite 301
Salt Lake City, Utah 84111-2303

Dear Mr. Hadley:

RE: Different Bonding (cost estimating) Policies Between
Agencies, White River Shale Oil Corporation, White River
Shale Project, ACT/047/017, Uintah County, Utah

Thank you for sending me the bonding information about how your staff developed the decommissioning and reclamation costs for Oil Shale Tracts U(a) and U(b). There are some clear differences in how the costs were developed:

1. Generally, salvage value is not accepted to offset the bond requirement for removal of equipment. However, in this case, the Division accepted salvage value at 10 percent of equipment capital. This is an exception, not the rule. Your office policy seems to indicate that the salvage value offsets the costs of removal. In the fluctuating marketplace, the Division feels it is too risky to accept that type of salvage value policy.
2. Reclamation costs vary widely. The revegetation costs for seeding rates and transplants are taken directly from the White River Shale Oil Project approved reclamation plan. The company would have to amend the plan in order to change the approved reclamation plan. As of this date, the company is bound to the approved reclamation plan.

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The costs for seed were taken from a seed source in Salt Lake City, Utah. The costs admittedly vary, however, the costs were based on seed and transplant costs at the time of the estimate.

3. White River Shale Oil Corporation added 360 acres in November 1982 to make a bonded area of a total of 470 acres. Your estimate includes only 225 acres of reclamation.

The Division bases its costs from the site-specific work to be done in the approved mining and reclamation plan. If there are any questions about this plan, you are invited to come to our offices and review this mining and reclamation plan for the White River Shale Oil Project.

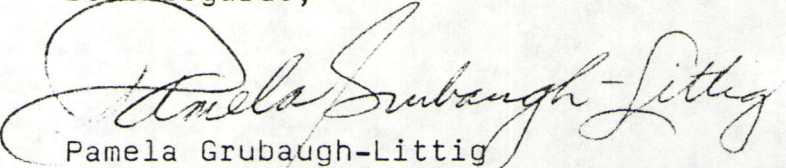
The Division costs at this time are lacking an escalation factor to increase it to future dollars. The company should increase the bond to \$4,650,707.00:

\$4,400,000 - 1983 dollars
Inflate @ 1.04% (actual) = \$4,445,760 (1984)
Inflate @ 0.79% (actual) = \$4,480,882 (1985)
Inflate @ 3.79% (projected) = \$4,650,707 (1986 dollars)

(These escalation factors are based on the Means Historical Cost Index, Salt Lake area. The projected factor is the average of the three preceeding years from the Means Historical Cost Index, Salt Lake area.)

If you have any other questions about the Division bonding policy or would like to set up a meeting to discuss this, please let me know.

Best regards,


Pamela Grubaugh-Littig
Reclamation Engineer

btb
cc: Lowell Braxton
John Whitehead
8808R-67 & 68